

Message Text

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43

ACTION SS-30

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INFO USINT ALGIERS IMMEDIATE

AMEMBASSY KHARTOUM IMMEDIATE

AMEMBASSY AMMAN IMMEDIATE

AMEMBASSY KUWAIT IMMEDIATE

AMEMBASSY BEIRUT IMMEDIATE

AMCONSUL DHAHRAN IMMEDIATE

AMEMBASSY MANAMA IMMEDIATE

USMISSION OECD PARIS IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY RABAT IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

AMEMBASSY SANAA IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

S E C R E T JIDDA 4769

EXDIS

E.O. 11652: GDS

TAGS: PFOR, SA, XF, ENRG

SUBJ: VIEWS OF SAUDI PETROLEUM MINISTER: SAUDI-AMERICAN

RELATIONS AFTER PEACE IS RESTORED; THE CARROT

(PART III OF III)

REF: JIDDA 4745, JIDDA 4615

SUMMARY: SAUDI MINISTER OF PETROLEUM CLAIMS EMBARGO ONLY DESIGNED
TO MAKE U.S. UNDERSTAND IT HAS BEEN BETRAYING ITS FRIENDS IN
MIDDLE EAST; DISTANCING ITSELF FROM ISRAEL HOWEVER COULD IN-
AUGURATE UNLIMITED COOPERATION WITH THE UNITED STATES. WITH
POSSIBLE \$30 BILLION ANNUAL INCOME FUELING INDUSTRIALIZATION OF
SECRET

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SAUDI ARABIA, ECONOMIC DEVELOPMENT OF THE AREA, AND INVESTMENTS
ABROAD, SAUDI ARABIA WILL LOOK FIRST TO THE UNITED STATES.
YAMANI REACTED NEGATIVELY TO IDEA THAT SUCH ECONOMIC TIES MIGHT
BE JUSTIFICATION FOR CLOSER RELATIONS WITH U.S. NOW. EVERYTHING

DEPENDENT NOT ON PETTY ECONOMICS BUT ON POLITICS OF SITUATION. SAUDI ARABIA WANTED HERE FRIENDSHIP RECIPROCATED. WE FEEL SAUDI DETERMINATION MUST NOT BE UNDERESTIMATED AND THAT MOVEMENT TOWARD RESTORATION OF PRE-1967 BORDERS WITH ARAB PRESENCE IN JERUSALEM AND AN ISRAELI SETTLEMENT WITH CONTIGUOUS ARAB STATES WILL BE REQUIRED BEFORE PRODUCTION IS INCREASED AND EMBARGO LIFTED. END SUMMARY.

1. IN COURSE OF SEVERAL DISCUSSIONS AT HIS SUMMER HOME OCT 28, MINPET ZAKI YAMANI PROTESTED--AS DO ALL SAUDIS--THE LONG-STANDING FRIENDSHIP WITH THE UNITED STATES, THE SAUDI OPPOSITION TO COMMUNISM, THEIR VIEW THAT THE U.S., THROUGH ITS SUPPORT OF ISRAEL, HAS OPENED THE AREA TO THE SOVIETS, AND FINALLY THE RECENT "BETRAYAL" OF ITS TRUE FRIENDS IN THE AREA AND AMERICA'S FORCING THE ARABS "EVEN SAUDI ARABIAN", TO TURN TO THE SOVIET UNION.

2. THE MINISTER SAID HE HOPED THE U.S. WOULD SOON RECOGNIZE WHERE ITS TRUE INTERESTS LAY AND SAID THE SAUDI BOYCOTT OF OIL DELIVERIES TO THE U.S. AND PRODUCTION CUTS WERE DESIGNED TO "HELP THE UNITED STATES OPEN ITS EYES." HE SAID THE KING HAD BEEN ENCOURAGED BY RECENT WORD HE HAS RECEIVED FROM THE UNITED STATES; HE THINKS THE UNITED STATES MAY DISTANCE ITSELF FROM ISRAEL, BUT KNOWS THE ARABS MUST BE CAREFUL NOT TO JUMP TOO RAPIDLY TO THIS CONCLUSION, HAVING BEEN FOOLED SO OFTEN IN THE PAST.

3. SAUDI ARABIA KNOWS THAT THE WORLD WILL NEED ITS OIL FOR THE NEXT 20 YEARS AND IT KNOWS IT HAS A MORAL OBLIGATION TO PROVIDE IT. IT WILL DO SO, PROVIDED THE WORLD ALSO RECOGNIZES ITS MORAL OBLIGATION TO THE ARABS.

4. IF AN HONORABLE PEACE IS REACHED IN THE MIDDLE EAST THROUGH THE INTERVENTION OF THE UNITED STATES, (AND THIS MEANS ISRAELI WITHDRAWAL TO THE 1967 BORDERS) THEN THE POSSIBILITIES OF UNITED STATES-SAUDI COOPERATION ARE UNLIMITED.

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5. OIL PRICES ARE INEVITABLY GOING UP. AT \$10/BBL AND WITH SAUDI PRODUCTION OF "ONLY" 10 MILLION BBL/DAY, SAUDI ANNUAL INCOME WILL BE WELL OVER \$30 BILLION.

6. SAUDI ARABIA'S FIRST PRIORITY WILL BE ITS OWN INDUSTRIALIZATION AND SAUDI ARABIA WANTS TO LOOK FIRST TO THE U.S. FOR ASSISTANCE. THE SECOND WILL BE ECONOMIC DEVELOPMENT OF THE AREA, AND HERE TOO THE U.S. SHOULD PLAY THE MAJOR ROLE. THE THIRD WILL BE INVESTMENTS ABROAD AND THE U.S. ECONOMY IS SO BIG THAT MOST OF THE SAUDI MONEY WOULD LOGICALLY BE INVESTED IN THE UNITED STATES. FINALLY, EVEN WITH THE VARIOUS CLAIMS ON SAUDI INCOME, THERE WILL BE LARGE RESERVE ACCUMULATIONS, AND SAUDI ARABIA KNOWS IT WILL HAVE PROBLEMS MANAGING THEM. IT WOULD

BE THE AMERICAN GOVERNMENT AND THE AMERICAN BANKS WHO WOULD BE EXPECTED TO GIVE SAUDI ARABIA THE MOST ASSISTANCE.

7. I POINTED OUT THAT EVERYTHING HE SAID ABOVE WAS PERTINENT AND ACCURATE, BUT IT WAS JUST AS MUCH THE CASE NOW AS IT WAS A MONTH AGO OR WOULD BE A YEAR FROM NOW REGARDLESS OF WHAT POSITION WE TOOK IN THE MIDDLE EAST. THE DOLLAR WAS A BARGAIN TODAY, THE U.S. ECONOMY WAS VIGOROUS AND EXPANDING, AND SAUDI ARABIA WOULD DO MUCH BETTER FOR ITSELF DEALING WITH US THAN WITH GERMANY OR JAPAN, NOT TO MENTION THE NEW ARAB "FRIENDS," BRITAIN AND FRANCE.

8. FOR THE ONLY TIME DURING THE LONG TALKS, MINISTER YAMANI LOST HIS TEMPER AND ASKED IF I WAS PLAYING WITH HIM OR IF I COULD REALLY KNOW THE ARABS SO LITTLE. THE MARGINAL BENEFIT SAUDI ARABIA WOULD HAVE IN DEALING WITH THE U.S. WAS OF NO IMPORTANCE TO THEM, HE SAID. EVERYTHING HE WAS TALKING ABOUT--AND HE SAID IT AMOUNTED TO HUNDREDS OF BILLIONS OF DOLLARS AND THE ECONOMIC WELL-BEING OF THE WORLD--DEPENDS ON POLITICS, NOT ON PETTY ECONOMICS. WHETHER SAUDI ARABIA TURNED TO THE U.S. DEPENDS ENTIRELY ON THE POLITICAL POSITION THE U.S. TAKES IN THE MIDDLE EAST. HE SAID THE KING WAS TIRED OF HEARING AMERICAN PROTESTATIONS OF FRIENDSHIP; SAUDI ARABIA WANTED FRIENDSHIP WITH THE UNITED STATES BUT IT WAS TIME FOR THE UNITED STATES TO SHOW THAT IT, TOO, WANTED FRIENDSHIP. THIS PROBABLY WOULD BE APPARENT IN PALESTINE, NOT IN RIYADH.

9. COMMENT: AS WE HAVE STATED REPEATEDLY, WE MUST NOT UNDER-SECRET

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ESTIMATE THE SAUDI DETERMINATION TO USE OIL--THEIR ONLY WEAPON--TO GET A SETTLEMENT IN THE MIDDLE EAST ACCEPTABLE TO THE ARABS. NONETHELESS, WE CAN START REQUESTING INCREASED PRODUCTION AS SOON AS THERE IS SOME ISRAELI WITHDRAWAL FROM ARAB LANDS; WE CAN PROBABLY EXPECT FULL RESTORATION OF PRODUCTION IF THE PRE-1967 BORDERS ARE RESTORED OR IF THE CONTIGUOUS STATES REACH AGREEMENT WITH ISRAEL, PROVIDED THIS INCLUDED PROVISIONS FOR AN ARAB PRESENCE IN JERUSALEM. IN OTHER WORDS THIS WILL TAKE PRECEDENCE OVER OTHER SAUDI STATEMENTS ON PRODUCTION LIMITATION FOR ECONOMIC OR CONSERVATION REASONS. AMERICAN FIRMS WHO COME TO SAUDI ARABIA--AND THE FLOOD WHICH WAS PLANNED FOR NOVEMBER MAY STILL MATERIALIZE--CAN ALSO EXPECT TO BE GIVEN THIS MESSAGE BY THE SAUDIS.

AKINS

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